

Insurance Work Group
Meeting Notes
August 12, 2003
1:30-3:30 PM, Denali Commission

Participants: *Al Ewing, Bernie Raven, Bill Allen, Bob Stewart, Brandon Allen, Christian Ulmann, John Gates, Kevin Smith, Linda Hall, Mark Kelty, Mike Black, Mike Gordon, Mike Harper, Kent Paul, Rachael Petro, and Tessa Wilson.*

Purpose/Goal:

Issue: Uninsured infrastructure jeopardizes the ongoing effort to build self-sufficient communities in Alaska.

Goal: Sustainability - Protect public infrastructure investment by requiring adequate insurance be maintained throughout infrastructure's life cycle.

Strategy: Work with stakeholders (communities, industry, regulators, investors) to find creative win-win solution(s) ensuring that insurance or other risk management alternatives are available to any qualified entities seeking state and federal funding.

Welcome:

Al Ewing explained the main purpose of this work group was to find solutions to the insurance issues in rural Alaska. He explained how it fits into the overall goal of building sustainable infrastructure by the Denali Commission and its partner agencies. Linda Hall thanked everyone for attending and emphasized the importance of having diverse interests working together on solution(s). She also requested everyone be candid and be thinking "outside the box."

Work To-Date:

Mike Harper, Kevin Smith, Kent Paul, and Mike Black summarized the work to-date. Two sub-groups were formed from the original insurance work-group which began in June 2002. One was formed to study the exposure and the other to study the risks in rural Alaska communities. Kevin Smith chaired the "Risk Takers" group and Mike Black chaired the "Exposure Analysis" group. The Exposure Analysis group developed a risk management questionnaire and assessed 12 communities across Alaska to assess the current availability of insurance to these communities. (If you did not get a copy of the survey results, please contact Rachael.) Essentially the survey indicates that insurance is available, but is often not affordable. Additionally, the survey and experience of group members identified a consistent lack of understanding about insurance (all types). This lack of understanding is compounded by the turnover rate in community government offices.

Problems/Issues:

Currently many public infrastructure projects throughout Alaska are not insured for a variety of possible reasons:

- Knowledge of insurance benefits.
- Affordability of insurance (cost).
- Insurance not required for publicly funded facilities (bank loan requires insurance).

Additional Problems/Issues?

- The rising costs of insurance and the decrease in revenue sharing and other State and federal programs was noted.

Potential Solutions:

Solution: Solutions may require statutory, regulatory and policy changes.

➤ Discussion & Questions

- The issue is not availability, but affordability and education! We've defined the problem for over a year – can we come up with creative solutions that will make coverage affordable?
- The driver for solutions should be adequate protection, not affordability.
- What kind of insurance are we talking about? Primarily property insurance, but other insurance is also an issue that needs to be addressed.
 - Full deals often come as a package – so “picking & choosing” coverages is not an option. Adverse selection issues can arise if you allow entities to separate out & pick & choose.
- Incentives for insurance must be part of solution(s). Agencies at some point will need to require infrastructure be insured. What about after the project is complete and an agency is no longer attached to a facility?

➤ Education of the basic principles of risk management was identified as a critical component of any solution(s). Education must be systematic, ongoing and serves the potential as a preventative solution.

Training sessions could be offered through a variety of methods including:

- AFN Convention
- AML Convention
- Regional Funding Summits
- Building Our Communities (Winter 2004)
- Website
- Built – in with application/ proposal requests for grant funding from government funding agencies

➤ Ideas:

Many ideas were exchanged and several small groups formed to summarize them and report back to the whole group at the next meeting.

Assignments

Group 1: Insurance Cost Containment

Berney, Brandon, Kevin Smith, Mark Kelty

See email attachment

Group 2: Pool Financial Re-Insurance

Chris Ulmann, Bill Allen

An email will be with this group's summary as soon as possible

Group 3: Education

Linda Hall, Tessa Wilson, Kevin Smith, Kent Paul

Other Ideas:

Check out the California FAIR plan which was created in 1968 to solve similar problems. Information about this plan can be found at www.cfpnet.htm.

The next meeting will be held on September 9th at 1:30 PM at the Denali Commission. If you can not participate in person, please let Rachael know if you would like to participate via teleconference.